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SUBJECT: THE LABOR SITUATION OF THE MEXICAN TEXTILE AND  
CLOTHING INDUSTRIES

REF: (A) MEXICO 2858 (B) MEXICO 4150 (C) MEXICO 616

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1. SUMMARY: Beginning on July 31, the Mexico office of the Friedrich Ebert Stiftung (FES) foundation, a German non-profit organization, and the International Textile, Garment and Leather Workers Federation (ITGLWF) held a two day seminar on the &Future of the Textile Industry in Mexico.8 The seminar was attended by representatives of various textile unions, labor lawyers, academics, NGOs, social activists, spokespersons for Mexico,s textile industry and Mission Mexico,s Labor Counselor. The goal of the seminar was to present an overview of the textile and clothing industries which have lost over 300,000 jobs since 2000, suggest urgent &next steps8 to strengthen these industries and form a working group that would recommend practical actions to implement these steps. The seminar,s participants devoted a disproportionate amount of time to what they saw as unfair Chinese competition, the endless flood of contraband Asian textile and clothing products entering Mexico, and the shortcomings of the GOM in failing to support the textile industry. They also focused considerable criticism on NAFTA and its impact on the Mexican textile and clothing industries. In the end, the seminar,s participants were able to form a working group but it was prevented from reaching an agreement on &next steps8 when a union affiliated with Mexico,s main opposition political party effectively insisted on obtaining the perfect to the detriment of the good. END SUMMARY.

## TEXTILE UNIONS AND INDUSTRY ARE CALLED TO ORDER

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¶2. From July 31-August 1, the Mexico office of the Friedrich Ebert Stiftung (FES) foundation, a German non-profit organization, and the International Textile, Garment and Leather Workers Federation (ITGLWF) held a two day seminar on the &Future of the Textile Industry in Mexico.<sup>8</sup> The seminar was attended by various textile union representatives affiliated with Mexico,s three largest labor federations; the Confederation of Mexican Workers (CTM), the National Workers Union/Authentic Workers, Front (UNT/FAT) and the Revolutionary Confederation of Workers and Peasants (CROC). Also, present were labor lawyers, academics from several Mexico City area universities, national and international NGOs, social activists and spokespersons for Mexico,s textile industry.

¶3. The goal of the seminar was to present an informed overview of the Mexican textile and clothing industries which have lost over 300,000 jobs since 2000 (ref A), suggest urgent next steps to help these industries and to form a working group that would recommend practical actions to implement these &next steps.<sup>8</sup> The main moderators at the event were Jose Rafael Ramirez Vera, the Secretary General of ITGLWF,s Inter-American Region and Ines Gonzalez Nicolas, the FES Coordinator for Labor and Gender Issues. Between them they laid out an agenda for the seminar, kept the event on track, initiated a number of panel discussions and, with one significant exception, successfully moderated rivalries between the three labor federations, the social activists and spokespersons for the industry representatives.

## ACADEMIC PRESENTS HARD REALITIES OF THE TEXTILE INDUSTRY

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¶4. During the two day seminar various academics, from a wide range of perspectives, made detailed presentations about the state of Mexico,s textile industry and the reasons for its decline. Of these presentations, perhaps the most comprehensive was made by Dr. Graciela Bensusan Areous of the Autonomous Metropolitan University-Xochimilco (UAM-X). Dr. Bensusan,s presentation offered an overview of Mexico,s textile and clothing industries that underscored the problems of these sectors of the economy in which many different actors are at fault but did so without fixing an undue portion of blame on any particular person or group.

¶5. According to Dr. Bensusan,s own work and that of several other researchers she cited, in 2001 Mexico,s textile and clothing industries employed some 700,000 workers nationwide. At that time the production of these workers accounted for 75 percent of Mexico,s maquiladora (foreign owned-assembly plants) exports. The main areas for textile/clothing production were the states of Coahuila, Puebla, the State of Mexico, Mexico City, Aguascalientes and Yucatan. The textile and clothing industries flourished in these states because of state government policies that favored foreign investment, low salaries and an abundance of manual laborers. Moreover, from about 1998 until 2002 Mexico was the main supplier of textile and clothing products to the US. All of these factors helped to make Mexico,s textile and clothing industries appear healthier than they really were. After 2002, world competition from China and other Asian countries overtook Mexico as the US, main supplier of textile and clothing products.

¶6. As part of her presentation Dr. Bensusan cited an International Labor Organization (ILO) study which listed a number of common factors among countries with large textile/clothing industries. The common factors included such items as: high employee turnover; poorly trained workers; low

salaries; low levels of unionization and poor leadership among the unions that do exist; child labor; high level of off-the-books labor and unregistered businesses (informal economy Ref B); and sex discrimination. Using the state of Puebla as an example of prevalent practices in Mexico,s textile/clothing industries, Dr. Bensusan stated the following: 63 percent of the textile/clothing industry workers in Puebla are women; 57 percent of the workers are very young (exact age range not stated); the state has a large percentage of unregistered small family businesses operating on the informal economy; and only 15 percent of surveyed businesses were unionized.

¶7. Continuing on, Dr. Bensusan pointed out that Mexico,s labor laws in general, and their application in the textile and clothing industries in particular, has led to a wide range of problems. She pointed out that business owners often complain that the high costs associated with full compliance with the country,s labor laws makes Mexico uncompetitive. Dr. Bensusan acknowledged that full compliance with the law might be costly but stated that there were so few penalties for non-compliance that many businessmen simply ignored the law and then pocketed the savings.

¶8. She then went on to list other problems in the textile and clothing industries from the perspective of laborers

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being mistreated by management. These problems included: the high number of temporary and part-time workers in the industry (60 percent of all industry workers in 2005); high rates of employee turnover (60 percent in the industry vs. 40 person nationally for other manufacturing workers); firings without cause; non-payment of legally mandated employee benefits; widespread sex discrimination; and salary payments on piecemeal basis that is less than the legal minimum wage.

¶9. Dr. Bensusan then balanced her presentation with a discussion of workers being mistreated by the various textile labor unions. In this she faulted: the poor quality of union leadership which can perpetuate their mandates almost indefinitely; the difficulties unions have of standing up to government or to employers; a near total lack of democracy or openness within the unions; in order to avoid conflicts, union leaders will not strike no matter what.

IT IS ALL CHINA,S FAULT  
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¶10. A continuing theme repeated almost endlessly throughout the seminar was the issue of &unfair8 competition from China and other countries in Asia. Complaints against China were made by union representatives, industry spokespersons and even the academics (although to a much less degree). All of the various union representatives at the seminar complained about China but the most often repeated and intellectually unproductive comment came from the senior leadership of the CTM. The comments of the elder CTM leaders notwithstanding, to varying degrees, most of the seminar participants were in rough agreement on the topic of competition from China and Asia.

¶11. Almost without exception, the seminar,s participants described competition from China as &unfair8. Many participants from the union and from industry underscored the injustice of expecting Mexico to compete on an equal basis with China which is not a market economy. As such, the argument went, China allows its numerous state-owned textile and clothing businesses to operate at a loss (something Mexican firms cannot do). It was also repeatedly pointed out that China provides its industries with numerous subsidies that are specifically prohibited by the WTO.

¶12. A great many seminar participants also mentioned that China does not have independent unions and does not respect basic worker rights. According to the participants, an important element of the unfair advantage China has is that by not respecting worker rights (or environmental standards), it will always be able to produce goods at a lower cost than Mexico. (Comment: Post notes that Mexico is not exactly flawless when it comes to respecting and complying with worker rights and environmental standards ) this was echoed by several NGO and labor participants.)

EXCEPT FOR WHEN THE GOVERNMENT, OR NAFTA, ARE TO BLAME  
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¶13. The only actor to receive as much criticism during the seminar as China was the Mexican Government. The criticisms against the GOM were not repeated as often as those against

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China, nor were they as emotional, but they were just as widely shared. One speaker after another detailed the failings of the GOM, because of either incompetence or corruption, to support Mexico's textile and clothing industries. The GOM's Secretariat of the Economy and its Customs Services were the main focus of the participants, displeasure. Economy was attacked for its perceived failures both nationally and internationally. Nationally, it was faulted for things like failing to help lower electricity rates charged by the government monopoly to facilitate shift work and thereby increase productivity; internationally it was faulted for not pressing forcefully enough for Mexican industry in the WTO (Note: Mexico is currently pressing a complaint against Chinese subsidies via the WTO's dispute settlement process.).

¶14. Mexican Customs was faulted for not controlling the problem of contraband. Mexico, the participants all agreed, was being overrun by contraband of all types but especially with textile and clothing products. One presenter asserted, correctly according to many seminar participants, that because of the flood of contraband entering Mexico the country's textile and clothing industries now only supply 20 percent of total domestic demand. The other 80 percent is being supplied by the purveyors of contraband goods. (Note: One of the main reasons for the high level of contraband imports is that Mexico has extremely high anti-dumping duties in place versus a huge swath of Chinese textile and apparel products. In December 2007, China will finally, under the terms of its bilateral WTO accession deal with Mexico, be able to challenge these anti-dumping duties before the WTO's dispute settlement mechanism. Mexican manufacturers are strongly lobbying the GOM to maintain these trade measures, while the GOM is considering whether they are consistent with WTO rules and urging industry to provide evidence to support their claims of dumping. See ref C for more details.)

¶15. Coming in at a distant, but nevertheless significant, third place for criticism was NAFTA. There was not as wide a range of agreement on the problems caused by NAFTA as there was on the evils of China or the GOM but what its critics lacked in numbers they made up for in emotion. The main critics of NAFTA were the participants from Mexican NGOS and the UNT/FAT which is closely linked to Mexico's main opposition party, the Party of the Democratic Revolution (PRD). NAFTA's critics asserted that the trade agreement was imposed on Mexico when two developed countries ganged up on a developing country. As a result, the critics said, Mexico was forced to compete internationally before it was ready. NAFTA (and by extension the USG) was also criticized for creating the conditions in which triangulation (goods coming from Asia which are supposedly destined for sale in the US but which ultimately end up in Mexico as contraband) has so severely and negatively impacted the domestic textile and clothing industries.

WORKING GROUP UNABLE TO PROPOSE NEXT STEPS

¶16. At about the mid-point in the seminar its two moderators proposed the names of several participants to form a working group that would be charged with taking the information presented during the two days of discussion and developing realistic next steps. The working group was composed of

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individuals from the three unions present: the CTM, CROC and the UNT/FAT. Later Mission Mexico Labor Counselor was invited to join to help discuss the problems of contraband and triangulation. (Note: Embassy,s ECON, CBP, and ICE offices are discussing possible joint actions against triangulated contraband networks.) The first meeting of the group was informally called to order at the end of the seminar and as a courtesy the UNT/FAT was first for their ideas on next steps.

¶17. Rather than address this subject the UNT/FAT asserted there was no point to discussing next steps while there were still so many issues related to union accountability, transparency, freedom of association ) a worker,s ability to join any union he or she wants, and inter-union relations.

The UNT/FAT then began a blistering attack on the CTM and CROC, but more particularly on the latter, which it claimed was doing everything possible in the state of Puebla to prevent workers dissatisfied with one union from leaving and joining another. The UNT/FAT remarks (which contain much more than a grain of truth) prompted the CROC and the CTM to defend themselves. Ultimately, the time to discuss realistic next steps ran out and the only agreement reached was that the group would meet again soon at the offices of the FES for further discussion: exact date TBD.

COMMENT

If nothing else, the FES/ITGLWF seminar showed that the various elements of Mexico,s textile and clothing industries may not know what they are for but they certainly know what they are against. They are against &unfair8 competition from China, against contraband, against ineffective and corrupt government, against NAFTA and against each other. It was disappointing that one textile union did not use the opportunity to discuss realistic next steps the industry could consider to help focus efforts on future actions and chose instead to advocate for a perfect resolution of all of Mexico,s (very real) labor union problems before it would consider joining efforts to develop solutions that might help real workers hold on to real jobs.

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